



## Power Dynamics in Foreign Aid

Consultation Report | January 2023<sup>1</sup>

### Executive Summary

This report summarizes efforts by an international team of academics and practitioners to reflect on changing power dynamics in foreign aid through a series of one-on-one consultations, workshops, and high-level events over a two-year period and in collaboration with high-level stakeholders from throughout the aid community. These consultations sought to put African perspectives front and center. We highlight five key points that emerged from our conversations:

1. Understanding power in foreign aid requires accounting for the diverse interests and agendas of multiple stakeholders;
2. True localization is challenged by sub-contracting, capacity building, and elite NGOs;
3. Altering existing power dynamics in aid is difficult because of aid dependency;
4. Rising populism in recipient countries is increasingly fueling anti-aid sentiments;
5. In the face of backsliding democracy, civil society requires predictable and accessible aid.

These five points set an agenda for deeper reflection by both those immersed in the day-to-day practice of aid giving, and scholars studying power and the changing nature of foreign aid.

### The Changing Nature of Aid

COVID-19 and the 2020 racial justice movement created a monumental shift in the environment within which international aid operates. Simultaneously, growing inflation, the war in Ukraine, and the fragmentation of development assistance are placing further stress on international development. Collectively, these factors suggest the need to rethink international aid policy and practice, particularly in relation to “donor” and “recipient” power relations.

To facilitate this reflection, between December 2020 and November 2022, the authors of this report facilitated a series of high-level reflections on the changing nature of aid and sought to put African perspectives front and center in these discussions and reflections.

1. Starting in December 2020, we held a series of one-on-one conversations with actors in the aid industry on power in foreign aid. In total, twelve background interviews were carried out.

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2. In December 2021, we convened a virtual focus group that brought together leading African thinkers in conversation with one another. This event was supported by **Humanity United** and included participants from Ghana, Kenya, Nigeria, Malawi, and Sierra Leone.
3. In May 2022, we supported a workshop in collaboration with the Bridging the Gap project and the US Institute of Peace (USIP) and funded by the **Raymond Frankel Foundation** on building strong partnerships in international aid.
4. In November 2022, we held a high-level round table with representatives of the donor and recipient communities in Geneva, Switzerland. The roundtable was supported by **the Knowledge Platform Security & Rule of Law (KPSRL)** and the **University of Geneva**, and also organized in collaboration with the Principles for Peace Initiative and the Mission of the Netherlands to the United Nations in Geneva. Following the roundtable, we also held a public event for students and the media at the University of Geneva, partnering with Dr. Simone Dietrich for both events.

Aid policy organizations have long sought more equitable relations between recipient and donor governments, calling for donors to harmonize their aid procedures and align with recipient-government policies. This commitment is most clearly represented in the 2005 Paris Declaration on Aid Effectiveness, signed by over one hundred donor and aid recipient governments (OECD, 2005), and the subsequent policy frameworks focused on addressing the challenges—including corruption, conflict, etc.—affecting the implementation of the aid effectiveness agenda. More recently, the US Government and many European donors have pushed for greater localization of aid to directly fund domestic and local organizations, looking beyond the usual international non-governmental organizations (INGOs), and well-placed national NGOs that regularly receive funding (Saldinger 2021).

In our series of consultations on changing power dynamics in aid, we examined the degree to which donor policy frameworks have led to real changes in the behavior of donors and recipient governments, and non-governmental actors. Below, we summarize the existing scholarship on power in foreign aid before outlining five key findings from the consultations.

## What do we know about power in foreign aid?

Calls for more equitable aid relations between recipient and donor governments are not new. However, recent global events have reinvigorated calls for shifting power relations in foreign aid, often calling for the ‘decolonization’ of aid (Currion, 2020; Peace Direct, 2021). The Black Lives Matter movement calls for greater attention to the paternalism, dependency, and corruption encouraged by foreign aid (NYT Editorial Board, 2021). In response to the ensuing discussion, many donor governments and aid organizations published statements declaring their commitment to addressing unequal power dynamics in the international aid system. How does the academic literature, however, understand and analyze power in foreign aid?

Historically, academic scholarship has largely described **the relationship between donors and recipients as asymmetrical** with structural conditions favoring donors. Foreign aid amounts are predominately determined by donor governments, and aid-recipient states are generally heavily dependent on aid (Whitfield, 2009). This fosters an unequal relationship that is difficult to change within the current system.

More recent scholarship, however, emphasizes that—despite these inequalities—**recipient-country governments are not powerless** (Swedlund 2017). Swedlund (2021), for example, highlights the Rwandan government’s strategy of harnessing the narrative of Western guilt for the Rwandan genocide, as well as fears of China, to gain greater bargaining leverage in aid negotiations.

In order to understand where and when recipient governments have leverage over donors, scholarship has paid particular attention to the **increasing number of aid donors**. Some scholars argue that aid-recipient governments have more power in their bargaining relationship with donors when there is donor competition (Bush 2015; Dunning, 2004; Kohno et al., 2021). Other scholarship has observed that recipient governments are also turning to an increasing number of newer donors such as China, India, the United Arab Emirates, Saudi Arabia, and Korea (Woods, 2008). In other words, the more donors there are, the

more potential the recipient government has to play donors off of one another (Carmody & Kragelund, 2016).

Other scholarship points to **complexity on the donor side** that may undermine donors' ability to implement their aid priorities and policies. Campbell & Carcelli (2021) suggest that the long chain of actors involved in the aid allocation process ties the hands of donors and inhibits them from responding to political and contextual opportunities in the recipient country. Furthermore, even when donors have a clear aid policy, legislators and donor bureaucrats may alter the implementation of this policy in response to their own diagnosis of the problem and constituent demands (Therien & Noel, 2000; Campbell 2018; Dietrich et al., 2020; Greene & Licht, 2018).

In conflict-affected countries in particular, recent evidence suggests that donors are more effective at supporting countries that are progressing toward peace than those that are falling back into war, and that **the donor use of aid suspensions to sanction recipient government policies or behaviors may be increasingly ineffective** (Campbell & Spilker, 2021). Furthermore, Campbell & Matanock (2021) find that recipient governments in post-conflict settings have increased authority to resist or alter state-building efforts due to the nature of their aid contracts, which give recipient governments the authority to determine when, where, and how inter-governmental organizations (IGOs) implement their activities.

In sum, existing scholarship on power in foreign suggests that (1) existing power relationships are unequal and difficult to change; nevertheless, (2) 'recipients' are not powerless and—in today's contemporary environment—have more and more possibilities to push back at donor demands.

## Summary of Insights & Findings

What additional insights did we gain from our consultations and workshops? Our extensive conversations with practitioners from all parts of the aid system suggest the following **five** insights, outlined below.

### *1. Understanding power in foreign aid requires accounting for the diverse interests and agendas of multiple different stakeholders*

**Aid power dynamics are no longer as simple as donor-recipient government relations.** Multiple different players—increasingly diverse international donors, recipient governments, international and national NGOs, civil society organizations (CSOs), citizens in the recipient country (and in the donor country), and private industry—shape aid power dynamics. Even though power is not equally shared among all of these actors, **each one has its source of power and its dependencies.**

Donors have the power of the purse and they have to be accountable to their constituents. Governments have the power of the contract; they determine who operates on their territory and how. They also have to be accountable to their political constituents. INGOs have the power to manage the overall contracting process, often giving the money to national NGOs, and donors are often dependent on INGOs and national NGOs to deliver the goods and services that they promise. Civil society and social movements need both donors and governments, but they also want to challenge their authority to dictate the terms. They also have their constituents. They are potentially the least powerful, although are also potentially the greatest threat to existing state-based power structures.

Given these entrenched power dynamics, participants in our consultations argued that in spite of donor rhetoric around decolonizing and localizing aid, they have not seen significant differences on the ground. **All donors have an agenda.**

## *2. True localization is challenged by sub-contracting, capacity building, and elite NGOs*

Participants also spoke about the broader donor localization agenda. They argued that **localization and sub-contracting are not the same thing but they are often treated as such in practice**. In standard practice, donors come up with a call for proposals, national NGOs respond to this call, and then one of these NGOs wins the contract and is charged with implementing the donors' planned project or program. Instead, recipients argued, **national NGOs and other "local" partners should be part of the project from inception through the design, implementation, and evaluation stages to ensure that they are truly partners in the project and that it benefits from their knowledge, skills, and expertise**. Another approach would be to select credible implementation partners first, and then proceed to work with them to design and develop programs.

In addition, participants commented that **aid is often given to national NGOs that are run by the country's elites**. These NGOs can produce good concept notes and log frames but may be disconnected from local communities and unable to deliver substantive or sustainable change on the ground. Speakers noted that aid should be deployed to those who need it; it should neither be politicized nor made an elitist endeavor. One of the ways to change this, as noted by one of the speakers, is through capacity development of national NGOs and civil society actors that are well-connected to communities but lack the necessary capacity to respond to donor requests for proposals. To do this successfully, a speaker noted that donors would need to, **first, build the core capacity of the national NGOs or other local partners** to ensure that they have the staffing necessary to support the project-development process.

## *3. Altering existing power dynamics in aid is difficult because of aid dependency*

Current and former aid-dependent economies regularly rely on aid to sustain their macro-economic policies and expenditures. When aid is withdrawn, governments have to find alternative sources of income. If they are unable to do so, then they have to institute significant austerity measures, which may lead to popular protests. This makes it difficult for aid-dependent countries to reduce their dependence. Speakers argued that both donors and recipients should have an exit strategy for an aid partnership rather than leave it as a perpetual cycle. One participant stated that "aid is meant to be a temporary bandage or a crutch, not a permanent prosthetic."

## *4. Rising populism in recipient countries is increasingly fueling anti-aid sentiments*

Rising populist and nativist sentiments, exacerbated by the COVID-19 pandemic, are profoundly shaping global politics. Foreign aid is no exception. Academic scholarship on the topic has highlighted how the increased rise in populism in donor states has led to decreases in donor foreign aid commitments and support for foreign aid. What is less well understood is the effect of populism on aid within recipient countries; but empirical evidence points to an emergent pattern. Populist leaders and movements in aid-recipient countries are politicizing aid, including by critiquing national NGOs that receive aid, to garner support from domestic audiences.

## *5. In the face of democratic backsliding, civil society requires predictable and accessible aid*

Many CSOs remain aid dependent, particularly when they operate in contexts where civic space is restricted or they otherwise lack widespread constituent support. When these CSOs are also advocating for greater state accountability and transparency, they may be under political pressure, as well as financial pressure. Several speakers highlighted the importance of supporting civil society actors in order to protect civic space in a context of increasing democratic backsliding. Donors can play a crucial role in protecting this civic space by providing CSOs with de-politicized and reliable aid, which should help to insulate them from local political pressures and support their civic programming.

## Conclusion

We are following up on these consultations in two ways, and would welcome partnerships with donors, recipient governments, civil society actors, non-governmental organizations, and other researchers in these endeavors. Please reach out to Dr. Campbell and Dr. Swedlund (contact information below) to find out more about these efforts.

First, we have launched new research projects on the role of populism in aid, donor government interactions around aid negotiations, donor behavior in conflict-affected countries, and the domestic aid networks most likely to be affected by the aid-localization agenda.

Second, it became clear over our two years of consultations that Western knowledge is often deployed to solve aid challenges. To help to mitigate this pattern, and build the capacity of African state and non-governmental actors to support more effective aid, we aim to organize a conference on the African continent in 2023. The aim of this conference is to help develop more inclusive, home-grown, and sustainable development solutions, altering the power dynamics among aid donors and recipients in Africa. We also aim to explore ways that different African scholars, civil society actors, and governments can support greater accountability of donors and recipient governments.

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